

## Internal Revenue Service

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### Legend

Distributing 1 =

Distributing 2 =

Distributing 3 =

Controlled =

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

Business A =

Business B =

Segment 1 =

Segment 2 =

Segment 3 =

State A =

State B =

State C =

Investor =

Short-Term Loan =

Year 1 =

Year 2 =

Year 3 =

a =

b =

c =

d =

Date 1 =

Dear :

This letter responds to your March 1, 2013 letter requesting rulings on certain U.S. federal income tax consequences of the Restructuring (defined below). The material information provided in that letter and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the materials submitted in support of the request for rulings, it is subject to verification on examination.

Moreover, this office has not reviewed any information pertaining to, and has made no determination regarding, whether any distribution occurring as part of the Restructuring and for which qualification under section 355 of the Internal Revenue Code (the "Code") is sought will (i) satisfy the business purpose requirement of Treas. Reg. § 1.355-2(b), (ii) be used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d)), or (iii) be part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock

representing a 50 percent or greater interest in the distributing corporation or the controlled corporation (see section 355(e) and Treas. Reg. § 1.355-7).

#### Summary of Facts

Parent, a holding company, is the common parent of an affiliated group of corporations that files a U.S. consolidated federal income tax return (the “Parent Consolidated Group”). Prior to the Restructuring, Parent directly owned all of the stock of each of Sub 2, a corporation organized under the laws of State A and Sub 1, a holding company organized under the laws of State B. Sub 1 directly owned all of the stock of Sub 3, a holding company organized under the laws of State B. Sub 3 directly owned all of the stock of Distributing 3, a corporation organized under the laws of State A.

Distributing 3 directly owned all of (i) the membership interests of LLC 1, a limited liability company organized under the laws of State B that is treated as a disregarded entity for U.S. federal tax purposes; (ii) the stock of Sub 4, a corporation organized under the laws of State C; and (iii) the stock of Distributing 2, a corporation organized under the laws of State A. Distributing 2 directly owned all of the stock of Distributing 1, a corporation organized under the laws of State A.

Distributing 1 directly owned all of (i) the membership interests of LLC 2, a holding company, and limited liability company organized under the laws of State B that is treated as a disregarded entity for U.S. federal tax purposes and (ii) the stock of Controlled, a corporation organized under the laws of State B.

LLC 2 directly owned all of (i) the stock of Sub 5, a corporation organized under the laws of State A; (ii) the membership interests of LLC 3, a limited liability company organized under the laws of State B that is treated as a disregarded entity for U.S. federal tax purposes; and (iii) the membership interests of LLC 4, a limited liability company organized under the laws of State A that is treated as a disregarded entity for U.S. federal tax purposes. LLC 4 directly owned all of the membership interests of LLC 5, a limited liability company organized under the laws of State B that is treated as a disregarded entity for U.S. federal tax purposes.

Parent and its subsidiaries (the “Company”) collectively engage in Business A, Business B, and other businesses that are not relevant to the Restructuring. Each of Distributing 1, Distributing 2, and Distributing 3 is engaged in Business A, which is composed of Segment 1, Segment 2, and Segment 3. More specifically, for each of the past five years, Distributing 1 and Distributing 2 have each been directly and actively engaged in Segment 3 and Distributing 3 has been directly and actively engaged in Segment 2. For each of the past five years, LLC3, LLC5, and Sub 4 have each been directly and actively been engaged in Business B and following the Restructuring, each of these entities will belong to the Controlled separate affiliated group (“SAG,” as defined in section 355(b)(3)(B) (the “Controlled SAG”)).

The Company experienced significant losses in its investments in Year 1. In order to increase capital to compensate for such losses and enable it to meet its business needs, Company raised capital by issuing long-term debt as well as common and preferred stock to Investor. In addition, Company entered into Short-Term Loan. From Year 2 to Year 3, capital contributions of approximately \$a (the "Parent Group Cash Contributions") were made through the Company organizational structure so that members of the Parent Consolidated Group could meet the reasonable needs of their respective businesses. Sub 3 made capital contributions to Distributing 3 which Distributing 3 utilized to make further cash capital contributions through the chain to Distributing 2 and Distributing 1 and the remaining contributions by Sub 3 to Distributing 3 of approximately \$b were used by Distributing 3. Of the approximately \$c Parent Group Cash Contributions that Distributing 3 made to Distributing 2, Distributing 2 utilized approximately \$d to make further cash capital contributions through the chain to Distributing 1.

Financial information has been submitted indicating that Business A (consisting of Segment 1, Segment 2, and previously, Segment 3) and Business B have had gross receipts and operating expenses representing the active conduct of a trade or business. Management has determined that it is necessary to separate Business B from Business A to enhance the growth of Business B and reduce the regulatory burdens on Business B.

### THE RESTRUCTURING

The following series of transactions, which occurred on or around Date 1, constituted the Restructuring:

1. LLC 4 distributed all of the membership interest of LLC 5 to LLC 2 ("Disregarded Distribution 1").
2. LLC 2 distributed all of the membership interest of each of LLC 3 and LLC 5 to Distributing 1 ("Disregarded Distribution 2").
3. Distributing 1 contributed all of the membership interest of each of LLC 3 and LLC 5 to Controlled ("Contribution 1").
4. Distributing 1 distributed all of the stock of Controlled to Distributing 2 ("Distribution 1").
5. Distributing 2 distributed all of the stock of Controlled to Distributing 3 ("Distribution 2").
6. Distributing 3 contributed all of the stock of Sub 4 to Controlled ("Contribution 2").

7. Distributing 3 distributed all of the stock of Controlled to Sub 3 ("Distribution 3").

### REPRESENTATIONS

The taxpayer makes the following representations with respect to the Restructuring:

A. Contribution 1 and Distribution 1

1. Any indebtedness owed by Controlled to Distributing 1 after Distribution 1 did not constitute stock or securities.
2. Each of Distributing 1 and Controlled paid its own expenses, if any, incurred in connection with Distribution 1.
3. No part of the consideration distributed by Distributing 1 in Distribution 1 was received by Distributing 2 as a creditor, employee, or in any capacity other than that of a Distributing 1 shareholder.
4. The five years of financial information submitted on behalf of Segment 3 conducted by Distributing 1 were representative of the present business operations of Segment 3 as of the date of Distribution 1, and with regard to such business, any operational changes as of the date the last financial statements were submitted reflected the ongoing Segment 3 business of Distributing 1.
5. The five years of financial information submitted on behalf of the portion of Business B conducted by Controlled, through LLC 5, were representative of the present business operations of Business B at the time of Distribution 1, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
6. Immediately after Distribution 1, Distributing 1 continued and will continue its portion of the active conduct of Segment 3, with employees of its affiliate, Sub 2.
7. Immediately after Distribution 1, Controlled, through LLC 5, continued and will continue the active conduct of Business B, with employees of its affiliate, Sub 2.
8. Neither Segment 3 nor control of an entity conducting this business was acquired during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
9. Neither Business B nor control of an entity conducting this business was acquired during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

10. Distribution 1 was carried out to enhance the growth of the Business B and reduce the regulatory burdens on Business B. The distribution of the stock of Controlled in Distribution 1 was motivated, in whole or substantial part, by these corporate business purposes.
11. Distribution 1 was not used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled or both.
12. The total adjusted bases and the fair market value of the assets transferred to Controlled in Contribution 1 equaled or exceeded the sum of the liabilities assumed by Controlled (as determined under section 357(d)).
13. Any liabilities assumed (as determined under section 357(d)) by Controlled in Contribution 1 were incurred in the ordinary course of business and were associated with the transferred assets.
14. The total fair market value of the assets transferred to Controlled in Contribution 1 exceeded the sum of (i) the amount of any liabilities assumed (as determined under section 357(d)) by Controlled in connection with Contribution 1 and (ii) the amount of any liabilities owed to Controlled by Distributing 1 that were discharged or extinguished in connection with Contribution 1. The fair market value of the assets of Controlled exceeded the amount of its liabilities immediately after Contribution 1.
15. The aggregate fair market value of the assets transferred to Controlled in the contribution in Distribution 1 equaled or exceeded the aggregate adjusted basis of these assets.
16. No property transferred by Distributing 1 to Controlled for which an investment credit allowed under section 46 has been or will be claimed.
17. No indebtedness between Distributing 1 and Controlled has been or will be settled or cancelled in connection with Distribution 1.
18. No intercorporate debt existed between Distributing 1 and Controlled at the time of, or after, Distribution 1, other than obligations arising in the ordinary course of business.
19. Payments made in connection with all continuing transactions between Distributing 1 and Controlled following Distribution 1 have been and will continue to be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
20. Neither Distributing 1 nor Controlled is an investment company as defined in sections 368(a)(2)(F)(iii) and (iv).

21. For purposes of section 355(d), immediately after Distribution 1, no person (determined after applying section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 1 stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 1.
22. For purposes of section 355(d), immediately after Distribution 1, no person (determined after applying section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 1 or (ii) attributable to distributions on Distributing 1 stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 1.
23. Distribution 1 was not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons acquired directly or indirectly stock representing a 50 percent or greater interest (within the meaning of section 355(d)(4)) in Distributing 1 or Controlled (including any predecessor or successor of any such corporation).
24. Immediately after Distribution 1, (i) neither Distributing 1 nor Controlled were a disqualified investment corporation (within the meaning of section 355(g)(2)) and (ii) no person held a 50 percent or greater interest (within the meaning of section 355(g)(3)) in any disqualified investment corporation immediately after the transaction who did not so hold, directly or indirectly, such interest immediately before the transaction.
25. Throughout the five-year period ending on the date of Distribution 1, Distributing 1 was the principal owner of the goodwill and significant assets of its portion of Segment 3 and will continue to be the principal owner of its portion of Segment 3 following Distribution 1.
26. Throughout the five-year period ending on the date of Distribution 1, Controlled was the principal owner of the goodwill and significant assets of the portion of Business B it conducts, through LLC 5, and will continue to be the principal owner of its portion of Business B following Distribution 1.
27. Except as was otherwise described in the Restructuring, with respect to Distributing 1 and Controlled, neither Parent nor any of its relevant affiliates had any current plan or intention to: (i) make a check-the-box election to change



such entity's classification (for U.S. federal tax purposes); (ii) cause such entity to liquidate, merge, or otherwise terminate its corporate existence; or (iii) cause the owner(s) of such entity to sell, transfer, convey, or otherwise dispose of the equity interest in such entity.

28. Immediately before Distribution 1, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (See Treas. Reg. §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597).
29. At the time of Distribution 1, Distributing 1 did not have an excess loss account in Controlled's stock or in the stock of any subsidiary of Controlled.
30. All material steps that comprised the Restructuring, including Contribution 1 and Distribution 1, were undertaken pursuant to a prearranged overall plan of reorganization, which was adopted and approved by the Board of Directors of Parent and its appropriate affiliates.

#### B. Distribution 2

31. Any indebtedness owed by Controlled to Distributing 2 after Distribution 2 did not constitute stock or securities.
32. Each of Distributing 2 and Controlled paid its own expenses, if any, incurred in connection with Distribution 2.
33. No part of the consideration distributed by Distributing 2 in Distribution 2 was received by Distributing 3 as a creditor, employee, or in any capacity other than that of a Distributing 2 shareholder.
34. The five years of financial information submitted on behalf of Segment 3 conducted by Distributing 2 were representative of the present business operations of the Segment 3 as of the date of Distribution 2, and with regard to such business, any operational changes as of the date the last financial statements were submitted reflected the ongoing Segment 3 business of Distributing 2.
35. The five years of financial information submitted on behalf of Business B to be conducted by Controlled, through LLC 5, were representative of the present business operations of Business B at the time of Distribution 2, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

36. Immediately after Distribution 2, Distributing 2 continued and will continue the active conduct of its portion of Segment 3, with employees of its affiliate, Sub 2.
37. Immediately after Distribution 2, Controlled, through LLC 5, continued and will continue the active conduct of Business B, with employees of its affiliate, Sub 2.
38. Neither Segment 3 nor control of an entity conducting this business was acquired during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
39. Neither Business B nor control of an entity conducting this business was acquired during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
40. Distribution 2 was carried out to enhance the growth of Business B and reduce the regulatory burdens on Business B. The distribution of the stock of Controlled in Distribution 2 was motivated, in whole or substantial part, by these corporate business purposes.
41. Distribution 2 was not be used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled or both.
42. No property transferred by Distributing 2 to Controlled for which an investment credit allowed under section 46 has been or will be claimed.
43. No indebtedness between Distributing 2 and Controlled has been or will be settled or cancelled in connection with Distribution 2.
44. No intercorporate debt existed between Distributing 2 and Controlled at the time of, or after, Distribution 2, other than obligations arising in the ordinary course of business.
45. Payments made in connection with all continuing transactions between Distributing 2 and Controlled following Distribution 2 have been and will continue to be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
46. Neither Distributing 2 nor Controlled were an investment company as defined in sections 368(a)(2)(F)(iii) and (iv).
47. For purposes of section 355(d), immediately after Distribution 2, no person (determined after applying section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of

Distributing 2 stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 2.

48. For purposes of section 355(d), immediately after Distribution 2, no person (determined after applying section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 2 or (ii) attributable to distributions on Distributing 2 stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 2.
49. Distribution 2 was not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons acquired directly or indirectly stock representing a 50 percent or greater interest (within the meaning of section 355(d)(4)) in Distributing 2 or Controlled (including any predecessor or successor of any such corporation).
50. Immediately after the Distribution 2, (i) neither Distributing 2 nor Controlled were a disqualified investment corporation (within the meaning of section 355(g)(2)) and (ii) no person held a 50 percent or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(3)) immediately after the transaction who did not so hold, directly or indirectly, such interest immediately before the transaction.
51. Throughout the five-year period ending on the date of Distribution 2, Distributing 2 was the principal owner of the goodwill and significant assets of its portion of Segment 3 it conducts and will continue to be the principal owner of its portion of Segment 3 following Distribution 2.
52. Throughout the five-year period ending on the date of Distribution 2, Controlled was the principal owner of the goodwill and significant assets of the portion of Business B it conducts, through LLC 5, and will continue to be the principal owner of its portion of Business B following Distribution 2.
53. Except as was otherwise described in the Restructuring, with respect to Distributing 2 and Controlled, neither Parent nor any of its relevant affiliates had any current plan or intention to: (i) make a check-the-box election to change such entity's classification (for U.S. federal tax purposes); (ii) cause such entity to liquidate, merge, or otherwise terminate its corporate existence; or (iii) cause the owner(s) of such entity to sell, transfer, convey, or otherwise dispose of the equity interest in such entity.

54. Immediately before Distribution 2, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (See Treas. Reg. §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597).
55. At the time of Distribution 2, Distributing 2 did not have an excess loss account in Controlled's stock or in the stock of any subsidiary of Controlled.
56. All material steps that comprised the Restructuring, including Distribution 2, were undertaken pursuant to a prearranged overall plan of reorganization, which was adopted and approved by the Board of Directors of Parent and its appropriate affiliates.

C. Contribution 2 and Distribution 3

57. Any indebtedness owed by Controlled to Distributing 3 after Distribution 3 did not constitute stock or securities.
58. Each of Distributing 3 and Controlled paid its own expenses, if any, incurred in connection with Distribution 3.
59. No part of the consideration distributed by Distributing 3 in Distribution 3 was received by Sub 3 as a creditor, employee, or in any capacity other than that of a Distributing 3 shareholder.
60. Controlled treated all members of its SAG as one corporation in determining whether it met the requirements of section 355(b)(2)(A), regarding the active conduct of a trade or business.
61. The five years of financial information submitted on behalf of the portion of the Segment 2 business conducted by Distributing 3 were representative of the present business operations of the Segment 2 business as of the date of Distribution 3, and with regard to such business, there were no substantial operational changes as of the date the last financial statements were submitted.
62. The five years of financial information submitted on behalf of Business B to be conducted by Controlled, through LLC 5 and Sub 4, were representative of the present business operations of Business B at the time of Distribution 3, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
63. Immediately after Distribution 3, Distributing 3 continued and will continue the active conduct of Segment 2, with employees of its affiliate, Sub 2.

64. Immediately after Distribution 3, Controlled, through LLC 5 and Sub 4, continued and will continue the active conduct of Business B, with employees of its affiliate, Sub 2.
65. Neither Segment 2 nor control of an entity conducting this business was acquired during the five-year period ending on the date of Distribution 3 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
66. Neither Business B nor control of an entity conducting this business was acquired during the five-year period ending on the date of Distribution 3 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
67. Distribution 3 was carried out to enhance the growth of the Business B and reduce the regulatory burdens on Business B. The distribution of the stock of Controlled in Distribution 3 was motivated, in whole or substantial part, by these corporate business purposes.
68. Distribution 3 was not used principally as a device for the distribution of the earnings and profits of Distributing 3 or Controlled or both.
69. The total adjusted bases and the fair market value of the assets transferred to Controlled in Contribution 2 equaled or exceeded the sum of the liabilities assumed by Controlled (as determined under section 357(d)).
70. Any liabilities assumed (as determined under section 357(d)) by Controlled in Contribution 2 were incurred in the ordinary course of business and was associated with the transferred assets.
71. The total fair market value of the assets transferred to Controlled in Contribution 2 exceeded the sum of (i) the amount of any liabilities assumed (as determined under section 357(d)) by Controlled in connection with Contribution 2 and (ii) the amount of any liabilities owed to Controlled by Distributing 3 that were discharged or extinguished in connection with Contribution 2. The fair market value of the assets of Controlled exceeded the amount of its liabilities immediately after Contribution 2.
72. The aggregate fair market value of the assets transferred to Controlled in the contribution in Distribution 3 equaled or exceeded the aggregate adjusted basis of these assets.
73. No property was transferred by Distributing 3 to Controlled for which an investment credit allowed under section 46 has been or will be claimed.

74. No indebtedness between Distributing 3 and Controlled was settled or cancelled in connection with Distribution 3.
75. No intercorporate debt existed between Distributing 3 and Controlled at the time of, or will exist after Distribution 3, other than obligations arising in the ordinary course of business.
76. Payments made in connection with all continuing transactions between Distributing 3 and Controlled following Distribution 3 have been and will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
77. Neither Distributing 3 nor Controlled is an investment company as defined in sections 368(a)(2)(F)(iii) and (iv).
78. For purposes of section 355(d), immediately after Distribution 3, no person (determined after applying section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 3 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 3 stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 3.
79. For purposes of section 355(d), immediately after Distribution 3, no person (determined after applying section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 3 or (ii) attributable to distributions on Distributing 3 stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 3.
80. Distribution 3 was not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons acquired directly or indirectly stock representing a 50 percent or greater interest (within the meaning of section 355(d)(4)) in Distributing 3 or Controlled (including any predecessor or successor of any such corporation).
81. Immediately after Distribution 3, (i) neither Distributing 3 nor Controlled were a disqualified investment corporation (within the meaning of section 355(g)(2)) and (ii) no person held a 50 percent or greater interest (within the meaning of section 355(g)(3)) in any disqualified investment corporation immediately after the

transaction who did not so hold, directly or indirectly, such interest immediately before the transaction.

82. Throughout the five-year period ending on the date of Distribution 3, Distributing 3 was the principal owner of the goodwill and significant assets of Segment 2 and will continue to be the principal owner of the Segment 2 following Distribution 3.
83. Throughout the five-year period ending on the date of Distribution 3, Controlled was the principal owner of the goodwill and significant assets of the portion of Business B it conducts, through LLC 5 and Sub 4, and will continue to be the principal owner of Business B following Distribution 3.
84. Except as was otherwise described in the Restructuring, with respect to Distributing 3 and Controlled, neither Parent nor any of its relevant affiliates had any current plan or intention to: (i) make a check-the-box election to change such entity's classification (for U.S. federal tax purposes); (ii) cause such entity to liquidate, merge, or otherwise terminate its corporate existence; or (iii) cause the owner(s) of such entity to sell, transfer, convey, or otherwise dispose of the equity interest in such entity.
85. Immediately before Distribution 3, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (See Treas. Reg. §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597).
86. At the time of Distribution 3, Distributing 3 did not have an excess loss account in Controlled's stock or in the stock of any subsidiary of Controlled.
87. All material steps that comprised the Restructuring, including Distribution 3, were undertaken pursuant to a prearranged overall plan of reorganization, which was adopted and approved by the Board of Directors of Parent and its appropriate affiliates.

### Rulings

Based solely upon the information submitted and the representations made, we rule as follows on the Restructuring:

#### A. Contribution 1 and Distribution 1

1. Contribution 1 and Distribution 1 together qualified as a "reorganization" within the meaning of section 368(a)(1)(D). Each of Distributing 1 and Controlled was "a party to a reorganization" within the meaning of section 368(b).

2. Distributing 1 did not recognize gain or loss in Contribution 1 (sections 361(a) and 357(a)).
3. Controlled did not recognize gain or loss in Contribution 1 (section 1032(a)).
4. Controlled's basis in each asset received from Distributing 1 in Contribution 1 was the same as it was in the hands of Distributing 1 (section 362(b)).
5. Controlled's holding period for each asset received from Distributing 1 includes the period during which Distributing 1 held that asset (section 1223(2)).
6. No gain or loss was recognized by (and no amount will be included in the income of) Distributing 2 upon its receipt of Controlled stock in Distribution 1 (section 355(a)(1)).
7. No gain or loss was recognized by Distributing 1 on its distribution of the Controlled stock in Distribution 1 (section 361(c)).
8. Immediately after Distribution 1, the sum of the basis of all the Distributing 1 stock plus the basis of all the Controlled stock was the same as the basis of the Distributing 1 stock with respect to which the distribution was made immediately before Distribution 1, allocated in the manner described in Treas. Reg. § 1.358-2 (section 358(a)(1) and (b) and Treas. Reg. § 1.358-1(a)).
9. The holding period of the Controlled stock received by Distributing 2 in Distribution 1 includes the holding period of the Distributing 1 stock with respect to which Distribution 1 was made, provided the Distributing 1 stock was held as a capital asset on the date of Distribution 1 (section 1223(1)).
10. Earnings and profits were allocated between Distributing 1 and Controlled in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

B. Distribution 2

11. No gain or loss was recognized by (and no amount will be included in the income of) Distributing 3 upon its receipt of Controlled in Distribution 2 (section 355(a)(1)).
12. No gain or loss was recognized by Distributing 2 on its distribution of the Controlled common stock in Distribution 2 (section 355(c)).
13. Immediately after Distribution 2, the sum of the basis of all the Distributing 2 stock plus the basis of all the Controlled stock was the same as the basis of the Distributing 2 stock with respect to which the distribution was made immediately before Distribution 2, allocated in the manner described in Treas. Reg. § 1.358-2 (section 358(a)(1) and (b) and Treas. Reg. § 1.358-1(a)).



14. Distributing 3 has a holding period in its stock of Controlled that includes its holding period for the stock of Distributing 2 with respect to which the stock of Controlled was received, provided that its stock of Distributing 2 was held as a capital asset on the date of Distribution 2 (section 1223(1)).
15. As provided in section 312(h), proper allocation of earnings and profits among Distributing 2 and Controlled will be made under Treas. Reg. § 1.312-10(b).

C. Contribution 2 and Distribution 3

16. Contribution 2 and Distribution 3 together qualified as a “reorganization” within the meaning of section 368(a)(1)(D). Each of Distributing 3 and Controlled was “a party to a reorganization” within the meaning of section 368(b).
17. Distributing 3 did not recognize gain or loss in Contribution 2 (sections 361(a) and 357(a)).
18. Controlled did not recognize gain or loss in Contribution 2 (section 1032(a)).
19. Controlled's basis in the stock received from Distributing 3 in Contribution 2 was the same as it was in the hands of Distributing 3 (section 362(b)).
20. Controlled's holding period for the stock received from Distributing 3 includes the period during which Distributing 3 held that stock (section 1223(2)).
21. No gain or loss was recognized by (and no amount will be included in the income of) Sub 3 upon its receipt of Controlled stock in Distribution 3 (section 355(a)(1)).
22. No gain or loss was recognized by Distributing 3 on its distribution of Controlled stock in Distribution 3 (section 361(c)).
23. Immediately after Distribution 3, the sum of the basis of all the Distributing 3 stock plus the basis of all the Controlled stock was the same as the basis of the Distributing 3 stock with respect to which the distribution was made immediately before Distribution 3, allocated in the manner described in Treas. Reg. § 1.358-2 (section 358(a)(1) and (b) and Treas. Reg. § 1.358-1(a)).
24. The holding period of the Controlled stock received by Sub 3 in Distribution 3 includes the holding period of the Distributing 3 stock with respect to which Distribution 3 was made, provided the Distributing 3 stock was held as a capital asset on the date of Distribution 3 (section 1223(1)).
25. Earnings and profits were allocated between Distributing 3 and Controlled in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

### Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In particular, this office has not reviewed any information pertaining to and has made no determination regarding the following:

1. Whether Distribution 1, Distribution 2 or Distribution 3 satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b);
2. Whether Distribution 1, Distribution 2 or Distribution 3 is being used principally as a device for the distribution of the earnings and profits of applicable distributing corporation or controlled corporation or both (see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d));
3. Whether Distribution 1, Distribution 2, or Distribution 3 is part of a plan (or series of related transactions) under section 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7; and
4. The federal income tax treatment of steps 1 and 2 of the Restructuring.

### Procedural Statement

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling.

In accordance with the power of attorney on file with this office, a copy of this ruling letter is being sent to your authorized representatives.

Sincerely,

*Richard M. Heinecke*

Richard M. Heinecke  
Assistant to the Branch Chief, Branch 6  
Office of Associate Chief Counsel (Corporate)